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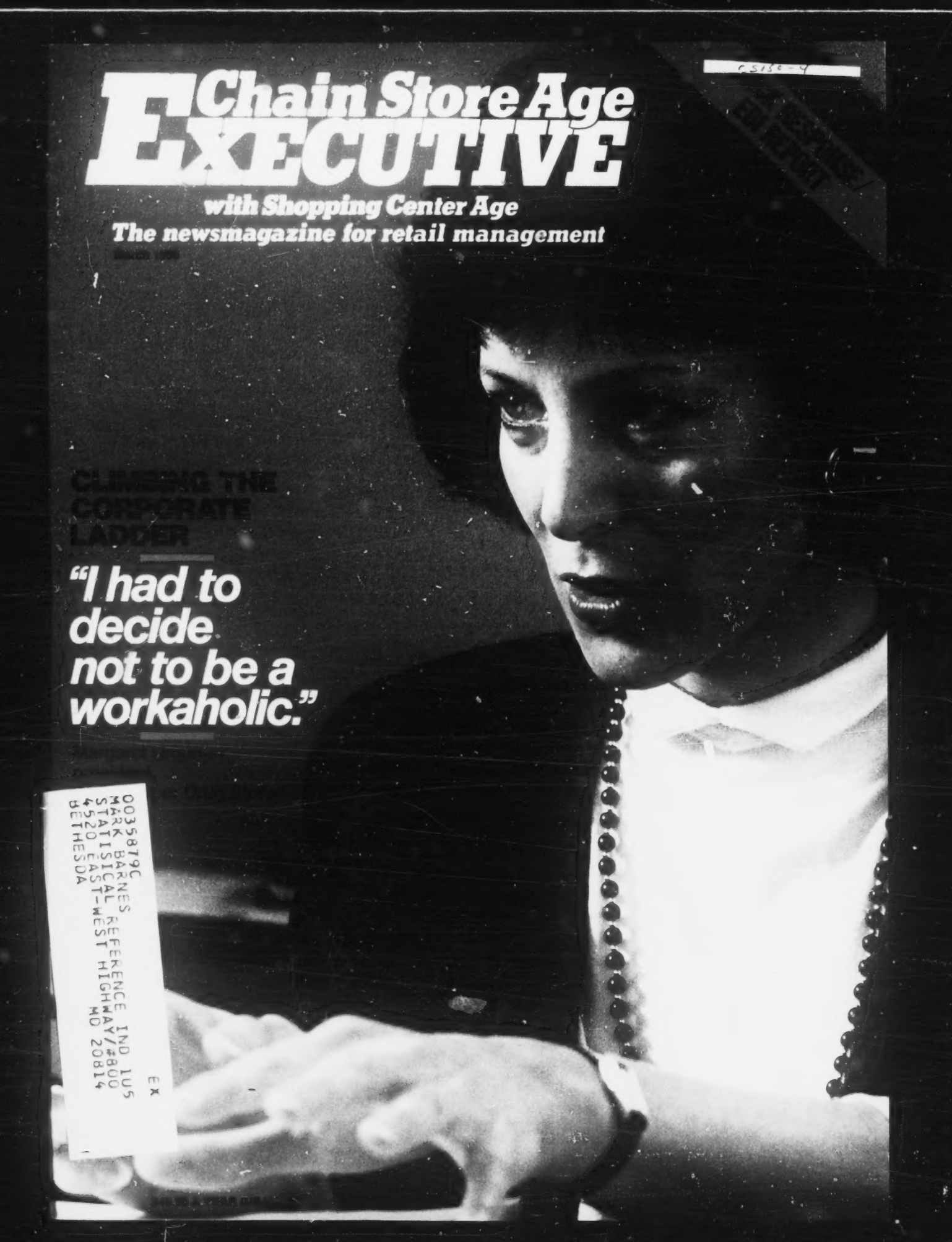
Chain Store Age EXECUTIVE

with Shopping Center Age

The newsmagazine for retail management

March 1985



CLIMBING THE CORPORATE LADDER

"I had to decide not to be a workaholic."

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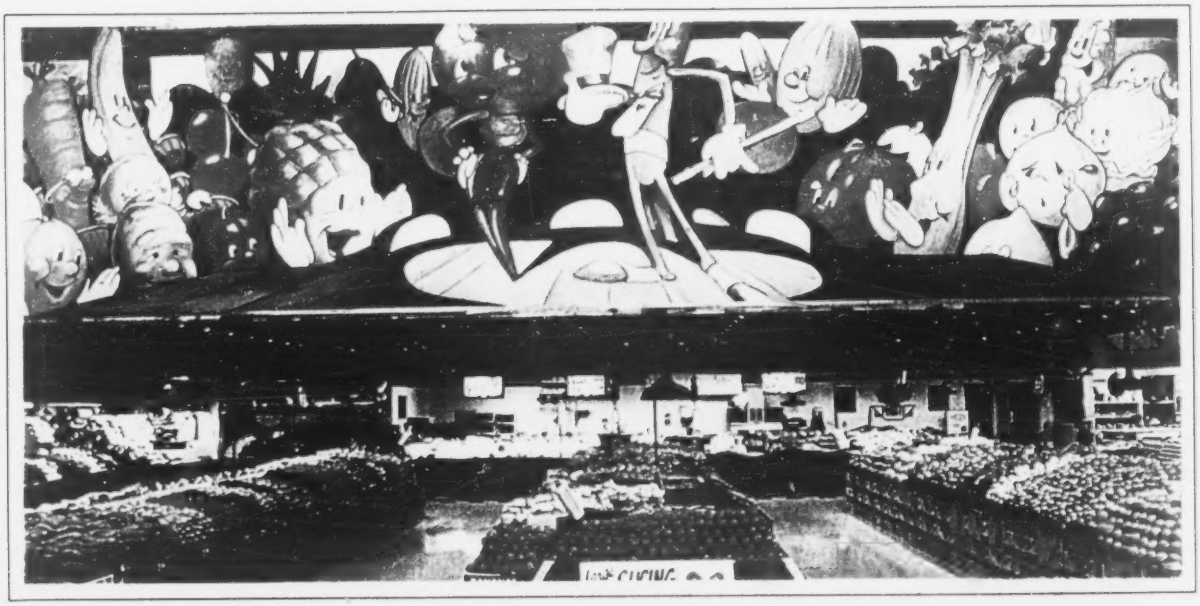

HAS FRED MEYER GONE HOLLYWOOD?

Not literally, but the newest megastore in the 125-unit Pacific Northwest chain opened in a Portland, Ore., neighborhood called Hollywood West. Theater and entertainment are behind the design of this 187,000-sq.-ft. prototype. The emphasis is on a whimsical, adventuresome and entertaining encounter. 76

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SECTION TWO

Small Center Development: Specialization is the watchword as developers expand beyond traditional formats.

Prior to the opening of Fashion Mall, Indianapolis, upscale specialty customers traveled to Chicago to shop.

WAL-MART PUTS INDIANA IN HIGH GEAR

DISCOUNTER'S AGGRESSIVE EXPANSION SPARKS CENTER DEVELOPMENT

Second-tier is the major story in Indiana. One reason: Wal-Mart. Developers building in smaller markets are finding that the discounter's aggressive expansion throughout the Hoosier State is creating new opportunities.

"One of the most active areas is Evansville," observes Gayla Gubler, director of leasing for Evansville, Ind.-based Regency Associates.

The firm recently opened two Wal-Mart-anchored centers: the 110,000-sq.-ft. University Village on the west side of Evansville, and the 180,000-sq.-ft. Village Commons on the east side.

The sites are a departure for Wal-Mart, Gubler says. "Evansville is a different site for them. It's a larger town than usual," she observes.

Wal-Mart also anchors Regency's newly-opened 115,000-sq.-ft. Village North center in Lebanon, Ind., a suburb of Indianapolis.

Aikens, S.C.-based Hutchens Co.'s 347,000-sq.-ft. Market Centre in Goshen, Ind., now under construction and set for a fall opening, will house both a Sam's Wholesale Club (another Wal-Mart division) and a Felpausch Grocery.

Hutchens is building the 150,000-sq.-ft. Peace Tree Village, still another Wal-Mart center, in Rochester, Ind., south of South Bend. Opening is set for spring 1991.

"There's a great deal of opportunity in Indiana, which Wal-Mart recognizes," says George Brusco, vp-leasing at Hutchens. "For our part, we recognize the opportunity to build accompanying retail shops."

Wal-Mart will put the squeeze on other discounters, such as K mart and Hills, that already operate in the market, says Gary I. Linder, president of the Linder Co., Indianapolis. He expects that hypermarkets, too, will soon enter the region, heating up competition even more.

Not all the activity in second-tier markets, however, is driven by Wal-Mart's expansion.

Regency plans Williamsburg Village in Muncie, 250,000 sq. ft. anchored by H. H. Gregg (a junior department store), a discount store and a supermarket. Opening is set for spring 1991.

Skinner & Broadbent, based in Indianapolis, is putting the finishing touches on Eastland Shoppes in Evansville. The 151,000-sq.-ft. center is adjacent to Eastland Mall.

Regional opportunities: Indiana's second tier markets are, however, the only places around the state where regional malls are getting built.

"For these markets, regional malls are still a draw. Anchors are concentrating on that size market," says William L. Schrage, executive vp-development and acquisition at Skinner &

Broadbent.

Des Moines-based General Growth/Center Cos. will open River Falls Mall in Clarksville, Ind., this fall. The 600,000-sq.-ft. center will be anchored by Bacon's, Toys "R" Us and Wal-Mart, as well as a 100,000-sq.-ft. family recreation park called River Fair.

"We've followed the trend toward entertainment in malls closely. But we wanted to do it our way," says Douglas Kline, vp-public relations. River Fair park will feature water rides, a miniature golf course and a giant carousel.

Union Station's $3 million renovation enhances its 'train station' ambience.

Dayton, Ohio-based Beerman Realty is constructing Vincennes Mall in the town of Vincennes, and has set a fall 1991 opening. The 400,000-sq.-ft. center will be anchored by Elder-Beerman, Hills, Sears and a department store to be announced.

A smaller town like Vincennes, which is located between Terre Haute and Evansville, is an oasis that needs to be treated better, says P. Joseph Linnane, vp-development at Beerman.

"The center's architecture will follow a nautical theme, in honor of the four fighting ships that have been named Vincennes," Linnane adds.

Beerman also is acting as a joint venture partner with Southfield, Mich.-based Schostak Bros. for the 390,000-sq.-ft. Fair Oaks Mall in Columbus, Ind., opening this summer. Anchors are Elder-Beerman, K mart and J. C. Penney.

Builders beware: Not all smaller markets can take a lot of development, however. Linder sounds some caution to builders in Fort Wayne, in particular.

"Building in Fort Wayne has been about equal to that in Indianapolis, but without as much population. Developers have to be careful," Linder warns.

Chicago-based Landau & Heyman, meanwhile, is renovating the 1.4 million-sq.-ft. Glenbrook Square in Fort Wayne. Leasing continues on Glenbrook Commons, a power strip.

Skinner & Broadbent has newly opened the 82,000-sq.-ft. Coliseum Shoppes and the 44,500-sq.-ft. Village at Time Corners.

Metropolitan development: Despite the concentration of developers elsewhere in the state, some construction does continue in Indianapolis itself. "It's been said that Indianapolis is overbuilt for retail, but there always are selective opportunities," says John Getty, vp, general manager-retail division.

Scheduled for a 1991 opening is Duke's South Park Plaza, part of a mixed-use complex on more than 100 acres in the growing Indianapolis suburb of Greenwood.

Getty concedes that the center "may be a bit ahead of its time," at opening, but notes that the area is "starting to grow."

The firm also has expanded Fashion Mall/Keystone at the Crossing Center within the city several times. The center provides upscale retail to the area, Getty explains.

"Prior to this center, upscale specialty customers went to Chicago to shop," he says.

Other Indianapolis bedroom communities also are seeing growth.

Indianapolis-based Faulkner & Blankenbaker is building Riverplace Centre, a 130,000-sq.-ft. strip in Noblesville, Ind., at the convergence of state highways 32, 19 and 38. The center will be anchored by a Kroger superstore. A future second phase will include 100,000 sq. ft. of office space.

Noblesville is located to the northeast of the city, an area that "has experienced a great deal of growth," says Joe Faulkner, principal. Yet even there, he expects that "Growth ought to be slowing down."

Farther north, the firm is renovating a 230,000-sq.-ft. enclosed mall in Mishawaka, Ind.

Not all development is in the Indianapolis suburbs. The city has spent much time and money to redevelop its downtown areas.

It revamped downtown Union Station, adding 49,000 sq. ft. of retail and 60,000 sq. ft. of restaurants and a food court. Union Station opened in 1853, and was expanded to its present building in 1888. The current Amtrak terminal is across the street.

Though the original conversion of the historic building had been completed only in 1986, new owners Moor & South, headquartered in Highland Park, Ill., felt it already was time for an overhaul.

"The place had been open for almost three years, and had been used by millions of people. It needed a

Indiana

1989 population: 5,554,192 (est.)
1994 population: 5,619,011 (proj.)
1989 median household income: $25,349 (est.)
1994 median household income: $29,942 (proj.)
1989 retail sales: $58,484,559,000

Indianapolis Metropolitan Statistical Area

1989 population: 1,242,175 (est.)
1994 population: 1,280,414 (proj.)
1989 median household income: $24,622 (est.)
1994 median household income: $28,425 (proj.)
1989 retail sales: $13,700,614,000

Source: Donnelley Marketing Information Services

For more information circle 17 on reply card →

brightening of the inside, what we call a 'theme enhancement,'" explains marketing director James Anderson.

The $3 million renovation took place in stages. Creation of the food court came first. All food tenants were moved into one area, and a consistent storefront design created. Some specialty retail also was placed in the area.

Phase 2 entailed relocating of specialty tenants, redesigning storefronts, creating a new color scheme and lighting.

"Part of our theme enhancement meant giving the place much more of a 'train station' look and feel. It also capitalizes on the historic significance of the building," Anderson explains.

Capping the rebirth of downtown is the construction of locally-based Melvin Simon & Associates' Circle Centre mixed-use complex (*see following story*). The building is typical of changes going on in the city.

"It's gone from a Rust Belt town to a service industry town," observes

Hypermarkets will soon enter the region, heating up competition

George Hahne, director of marketing for Westchester, Ill.-based Tri-Land Properties.

Tri-Land is now in Phase 2 of renovation of Speedway Center in Indianapolis. A local church will be moved to another site on the property, followed by the construction of additional retail. Phase 2 completion is set for fall 1990. Final facelifting will be finished in fall of 1991.

Skinner & Broadbent is building six centers in the city, including North Willow Commons, with 100,000 sq. ft. at 86th Street and Ditch Road.

The firm has just completed 46,000-sq.-ft. Clearwater Shoppes on East 82nd Street. The Village at Eagle Creek, with 200,000 sq. ft., is set to begin construction this summer.

Factory outlet center: Paris & Associates, headquartered in Carmel, Ind., plans Fairground Village in Richmond, one of the area's first factory outlet centers. Tenants in the 155,000-sq.-ft. center will include Anne Klein, American Tourister and Bass.

The center is located on I-70, accessible from Indianapolis, as well as from Fort Wayne, Dayton, Cincinnati and Columbus, Ohio, says Dan Paris, president. "The site is close to six million people," he says.

Even with the greater opportunity to build in smaller markets, the chance for overbuilding exists. Without the magic draw of Wal-Mart, says one broker, developers should be careful.

"There's an onslaught of small centers coming to market. We're in a vulnerable time frame. I'm trying to be somewhat cautious," Linder says. ■

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MARSHALL FIELD IMPLEMENTS DRUG TESTING

KEEPING ABUSERS OUT OF THE WORKFORCE PROVES COST-EFFECTIVE

Marshall Field has joined the growing ranks of retailers that are testing prospective employees for drug use.

The testing started last year as part of Field's all-out assault on employee drug abuse.

"We came to the point where we just couldn't ignore the problem anymore," says Philip Johnson, vp-human resources, Marshall Field.

"Our store undercover agents were reporting an increasingly disturbing amount of drug use and drug dealing among our employees," he says.

To make matters worse, Field's loss prevention experts estimated that half of the company's internal theft cases were drug-related.

"The average loss per case was $3,000," Johnson adds.

In addition to educating its employees about drug abuse, Field's set out to stop individuals with existing drug problems from entering its work force.

"Testing has become an increasingly viable option since the loss of pre-employment polygraphs, which had acted as a deterrent to drug users," Johnson says.

Job-specific testing: The company does not conduct drug tests across-the-board. Only applicants for certain positions in warehouse centers, security, housekeeping and credit are tested.

"We recently expanded the program to include testing for cause, such as in the case of accidents," Johnson adds.

The company tested 432 job applicants in 1989. Approximately 15% were rejected due to positive drug test results. Half of those rejected tested positive for cocaine use.

"The rejection rate was the same in the suburbs as it was in the cities," Johnson notes.

One of the main drawbacks to drug testing is its cost.

"It can be very expensive, particularly for large retailers that may test thousands of applicants per year," Johnson says. "We average about $55 per test."

Field's, however, is convinced that drug testing is cost-effective. According to Johnson, the long-term return of keeping drug abusers out of the workforce more than justifies the short-term expense.

"It's hard to put a price tag on all the lost time, accidents and theft caused by employees with drug problems," he explains.

Field's has not yet undertaken any studies to gauge the impact of its screening program. But worker's compensation claims in the areas with drug screening have dropped 43% since last January, according to Johnson.

"At the same time, voluntary admissions by our existing workforce to substance abuse programs have increased," he adds.

"Our feeling is that the testing makes all employees more aware that Field's will not tolerate drug abuse," Johnson explains. "And that's a good message to get out."

The company plans to expand pre-employment testing to other areas of store operations, including visual merchandising. Field's also plans to introduce an employee drug abuse assistance program in the upcoming months.

"Drug testing is just a part of our much larger effort to combat the problem of substance abuse," Johnson says.

"It should never be viewed as a policy in and of itself." ■

When retailers conduct drug testing

Pre-employment screening	54%
Only when suspicion exists	38
Periodic testing	19
Other	31

Source: Ernst & Young

Retailers using drug testing by employee group

Distribution center	48%
Store level	33
Headquarters	19
Security/loss prevention	19
Other	37

Source: Ernst & Young

EMPLOYEE THEFT LINKED TO DRUG ABUSE

Drug use in the workplace is becoming a matter of major concern for retailers, according to a security survey conducted by New York-based accounting firm Ernst & Young. The survey polled 130 retail companies operating more than 42,500 stores nationwide.

"Forty percent of the retailers polled said there was evidence that thefts by employees were drug-related," says Stephanie Shern, national director, retail services, Ernst & Young.

To deal with increased drug use, 21% of the respondents report that they are testing employees for drugs. Many other companies are in the process of creating testing programs, Shern adds.

The most common group of employees to undergo drug testing work in distribution centers. Store-level employees, along with headquarters and security personnel, are also likely candidates for drug testing.

Of the retailers who conduct drug tests, more than half (54%) give the tests during pre-employment screening. Another 38% of the group say they test for drugs only when suspicion exists. Only 19% of the retailers surveyed conduct periodic testing.

One interesting note: None of the surveyed retailers who conduct drug tests have been involved in litigation due to testing.

RETAILERS POST MODEST JANUARY GAINS

SPECIALTY STORES OUTPACE DEPARTMENT STORES, DISCOUNTERS

The nation's biggest retailers posted modest sales gains in January. Specialty store gains far outpaced those of department and discount stores, owing to a strong market for apparel and a weak market for durables.

Setting the pace for specialty retailers was The Gap, which posted a 24% same-store sales gain. At The Limited, total sales were up 11.3%, while comparable-store sales gained 9%. Gantos also maintained its strong performance, posting a 29.9% total sales increase.

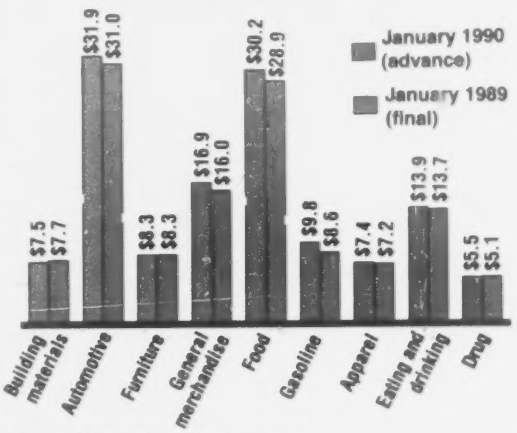
Sears, the nation's largest retailer, said its comparable-store sales rose 3.3% in January on a restated basis. The restated figures exclude categories of merchandise that have been eliminated, allowing Sears to report larger sales increases than would otherwise be possible.

Sears insists that the restated figures are a more accurate measurement. Some analysts dispute this, noting that Sears has replaced its discontinued merchandise with new categories.

At K mart, the nation's second-largest retailer, comparable-store January sales increased 3.1%.

JANUARY SALES

(Seasonally adjusted, figures in billions)



Source: U.S. Department of Commerce

CHAIN PERFORMANCE

Company	January '90 sales (000)	% change	% change comp. stores	YTD sales (000)	% change YTD	% change YTD comp. stores
Sears	$2,166,483	+ 2.2	+ 3.3	$33,574,235	+ 3.9	+ 2.5
K mart	1,788,252	+13.1	+ 2.0	29,108,156	+ 6.6	+ 2.0
Wal-Mart	1,841,000	+24.4	+10.0	25,815,000	+25.0	+11.0
Penney	779,000	+ 8.5	+ 7.3	15,116,000	+ 8.4	+ 7.2
Dayton Hudson	711,000	+12.1	+ 5.2	12,780,000	+14.0	+ 6.4
May	471,700	+ 5.2	+ 2.6	9,424,200	+ 2.1	+ 5.7
Woolworth	283,000	+ 8.4	+ 4.5	5,126,000	+ 9.5	+ 5.3
Melville	426,650	+ 9.1	+ 3.9	426,650	+ 9.1	+ 3.9
Walgreen	494,075	+14.9	+11.0	494,075	+14.9	+ 9.6
Ward	278,248	- 3.8	N/R	5,001,582	+ 2.8	N/R
The Limited	285,600	+11.3	+ 9.0	4,577,000	+12.4	+12.4
Ames	230,000	+ 4.2	-16.0	5,070,000	+50.6	N/R
Carter Hawley Hale	192,400	- 0.2	- 0.6	2,863,700	+ 4.9	+ 4.3
Mercantile	117,158	+ 2.4	+ 0.9	2,308,679	+ 2.2	+ 1.5
Circuit City	167,600	+22.0	+ 1.0	N/R	N/R	N/R
Hills	81,046	+24.0	+ 5.2	2,051,991	+23.0	+ 1.5
Ross's	77,767	+14.2	- 1.5	1,507,514	+ 4.7	- 1.0
The Gap	94,000	+34.2	+24.0	1,564,000	+23.0	+15.0
Neiman-Marcus Group	127,300	+18.6	+15.1	N/R	N/R	N/R
Jamesway	38,127	+ 4.8	+ 2.0	847,169	+ 8.3	+ 8.3
Ross	37,000	+ 5.7	- 4.0	733,000	+15.6	+ 7.0
Dollar General	44,000	+ 1.3	- 3.4	610,000	+ 0.2	- 1.3
Best Buy	45,000	+15.0	N/C	469,000	+ 7.0	N/R
Gottschalks	12,314	+23.6	+13.0	234,000	+19.4	+ 8.4
Claire's	15,550	+59.0	+21.0	190,150	+49.0	+23.0

N/R = not reported N/C = no change Source: Company reports

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